

AR08

**C-I CREDIT CORP.
LIMITED**



**ANNUAL REPORT TO THE SHAREHOLDERS
For the Year Ending December 31, 1966**

C-I CREDIT CORP. LIMITED

OFFICERS

Ralph E. Ades	-	-	-	-	-	-	-	-	Chairman
David S. Ades, B.Sc., A.M.C.T.	-	-	-	-	-	-	-	-	President
Pierre Genest	-	-	-	-	-	-	-	-	Secretary
Philip F. Rudson	-	-	-	-	-	-	-	-	Treasurer
Gordon G. Dickson	-	-	-	-	-	-	-	-	Asst. Secretary
Gerald Rose	-	-	-	-	-	-	-	-	Asst. Treasurer

DIRECTORS

David S. Ades, B.Sc., A.M.C.T.	Stephen E. Berger, M.E.I.C.
Jeanne Ades	Pierre Genest
Ralph E. Ades	Carman G. King
William G. Durst, F.R.I.*	William C. Lawrence*

MANAGEMENT

Managing Director	-	-	-	-	-	David S. Ades, B.Sc., A.M.C.T.*	
Asst. Manager	-	-	-	-	-	-	Gerald Rose*
Regional Manager	-	-	-	-	-	-	A. Gary Wallington*
Manager, Accounting Department	-	-	-	-	-	-	(Mrs.) E. Bak

* Members of Mortgage Investment Committee

AUDITORS

Clarkson, Gordon & Company, Toronto
Chartered Accountants

TRUSTEES AND TRANSFER AGENTS

Common Shares and Secured Certificates —
Guaranty Trust Company of Canada, Toronto

Class "A" Shares and Subordinated Debentures —
Montreal Trust Company, Toronto

COMPANY BANKERS

Royal Bank of Canada — Toronto
Canadian Imperial Bank of Commerce — Toronto

LEGAL COUNSEL

Cassels, Brock, Des Brisay, Guthrie, Griffiths & Genest — Toronto

PRESIDENT'S REPORT

The year 1966, our ninth year in the Mortgage Investment field, has been an eventful one for all financially oriented institutions, one in which most companies in our field of endeavour have been unable to maintain past income performance.

The Management is pleased to report that your Company was, once again, able to show a significant increase in its earnings. The earnings before taxes as at December 31st, 1966, were \$108,652 as against \$84,861 for 1965 and with net profits after taxes of \$61,949 (60.6¢ a share) as against \$50,577 (50¢ a share) for the same periods, a gain of over 20%. This rise was effected after taking reasonable reserves. The assets, at \$3,393,277 remained approximately the same.

During 1966, the company acquired an additional \$500,000 of long term secured debt, which was used to reduce bank borrowings.

To offset the lack of availability of further long term debt, your Management has concentrated its business operations more aggressively in Mortgage Banking and Mortgage Portfolio Management. Further avenues are currently being investigated in closely related fields, which would help maintain your Company's present rate of income.

Your Company's investment in County Savings and Loan Corporation has increased slightly. Management feels that with the enactment of Legislation recently passed by the Government of Ontario establishing the "Ontario Deposit Insurance Corporation", our investment in County Savings and Loan Corporation has been greatly enhanced. This Act, among other things, insures all Deposits, Term Deposits and Debenture Investment Certificates of member institutions to an amount of \$20,000 for each deposit, term deposit or debentures. We understand that County Savings and Loan Corporation recently reached its "break-even point", and should start to show profits in 1967.

Your Management's attention to security through selectivity of investment continues to be one of your Company's most important assets, and was partially responsible for your Company's ability to maintain its earning potential.

Since the date of the last annual report we regretfully accepted the resignation of Mr. J. Donald Bell as a Director and Officer of the Company. We are pleased to announce the appointment of Mr. Pierre Genest as a Director and new Secretary of the Company.

The Management takes this opportunity in thanking the staff of the Corporation for its efforts in the past year. These are sincerely appreciated.

On behalf of the directors, management and staff, I also express my sincere appreciation for the confidence and co-operation that you, the Shareholders, have shown during the last year.

DAVID S. ADES,
President.

April 20, 1967.

FINANCIAL HIGHLIGHTS

	1966	1965	1964	1963
Current and Working Assets	\$3,180,670	\$3,070,560	\$1,881,640	\$1,218,540
Gross Income	354,610	276,040	150,110	74,590
Profits before Taxes	108,650	84,860	40,870	25,910
Net Profits After Taxes	61,949	50,570	30,260	20,220
Earnings Per Share	60.6c.	50c.	29.6c.	28.8c.

C-I CREDIT CO.

(Incorporated under the laws of)

and its subsidiaries

CONSOLIDATED BALANCE SHEET

(with comparative figures)

ASSETS

	1966	1965
Current and working assets:		
Cash	\$ 155,992	\$ 89,263
Mortgages receivable (note 1)	2,916,840	2,925,469
Mortgages and properties held for sale (note 1)	61,881	
Accrued mortgage interest receivable	20,991	18,871
Income taxes recoverable		1,238
Sundry accounts receivable and prepaid expenses	24,975	35,724
	<hr/> 3,180,679	<hr/> 3,070,565
Investment in shares of County Savings and Loan Corporation, at cost (note 2)	114,075	106,175
Equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$6,048	9,629	5,953
Unamortized financing expenses	88,895	64,630

On behalf of the Board:

DAVID S. ADES, Director

PIERRE GENEST, Director

\$ 3,393,278	\$ 3,247,323
--------------	--------------

TO THE SHAREHOLDERS OF
C-I CREDIT CORP. LIMITED:

We have examined the consolidated balance sheet of C-I Credit Corp. Limited and its subsidiary for the year ended on that date. Our examination included a general review of the accounting procedures and such other matters as we considered necessary.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated earnings and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles, present fairly the financial position of C-I Credit Corp. Limited and its subsidiary as of December 31, 1966, and the results of their operations for the year ended on that date.

AUDITORS'

D.R.P. LIMITED

of the Province of Ontario)

Companies

MEET DECEMBER 31, 1966

at December 31, 1965)

LIABILITIES**Current liabilities:**

	1966	1965
Bank loan—secured (note 5)	\$ 680,000	\$ 1,180,000
Accounts payable and accrued charges	41,262	30,701
Income taxes payable	7,042	
Current portion of loans payable	9,120	9,960
	<u>737,424</u>	<u>1,220,661</u>

Deferred income:

Unamortized discount on mortgages receivable	223,230	188,398
Accumulated tax reductions applicable to future years (note 8)	<u>77,733</u>	<u>42,960</u>

Long term debt:

Secured —		
Loans payable less current portion (note 3)	192,277	219,558
7% Secured Certificates, Series 1 (note 4)	48,921	56,946
6 3/4 % Secured Certificates, Series 2, maturing September 23, 1974 (note 5)	500,000	500,000
7% Secured Certificates, Series 5, maturing January 31, 1981 (note 5)	537,194	
6 3/4 % Subordinated Convertible Debentures Series A maturing December 1, 1974 (note 6)	500,000	500,000
	<u>1,778,392</u>	<u>1,276,504</u>

Shareholders' equity:

Capital (note 7) —		
Non-cumulative (30¢), non - voting participating convertible Class A shares, without par value:		
Authorized — 200,000 shares		
Issued — 15,000 shares....	90,000	90,000
Common shares, without par value:		
Authorized — 180,000 shares		
Issued — 87,200 shares....	333,600	333,600
Contributed surplus (from sale of Series B share warrants)	250	
Retained earnings	152,649	95,200
	<u>576,499</u>	<u>518,800</u>
	<u>\$ 3,393,278</u>	<u>\$ 3,247,323</u>

REPORT

companies as at December 31, 1966 and the statements of consolidated earnings and retained earnings for tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Earnings and retained earnings present fairly the financial position of the companies as at December 31, 1966 using principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants.

C-I CREDIT CORP. LIMITED

and its subsidiary companies

STATEMENTS OF CONSOLIDATED EARNINGS AND CONSOLIDATED RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1966

CONSOLIDATED EARNINGS

	1966	1965
Income from mortgages	\$ 354,613	\$ 276,043
Cost of borrowing money:		
Bank and other short term	45,160	43,513
Long term	121,628	84,835
	166,788	128,348
Administrative and general expenses (note)	66,154	53,280
Amortization of financing expenses	10,392	7,787
Depreciation	2,627	1,767
	245,961	191,182
Earnings before income taxes	108,652	84,861
Provision for income taxes	46,703	34,284
Net earnings for the year	\$ 61,949	\$ 50,577

Note — includes directors' fees of \$750

CONSOLIDATED RETAINED EARNINGS

Balance, beginning of year	\$ 95,200	\$ 49,123
Net earnings for the year	61,949	50,577
	157,149	99,700
Dividends paid	4,500	4,500
Balance, end of year	\$ 152,649	\$ 95,200

See accompanying notes to consolidated financial statements

C-I CREDIT CORP. LIMITED

and its subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1966

1. The mortgages receivable are carried on the consolidated balance sheet at their face values, less principal repayments to date. Any purchase discounts are carried as deferred income and are amortized over the periods of the mortgages.
The mortgages and properties held for sale are valued at the lower of cost or estimated realizable value.
2. The investment in County Savings and Loan Corporation represents approximately 20% of the issued shares of that company; no quoted market value was available for these shares at December 31, 1966.
3. The secured loans payable are payable concurrently with the mortgages which secure them and bear interest at rates ranging from 6 1/2 % to 8 %.
4. The 7% Secured Certificates, Series 1, mature as follows: \$2,000 in 1973, \$105 in 1969 and \$46,816 in 1968, and are redeemable by the company at any time before maturity at a premium of 3% within one year of the date of issue and at reducing amounts thereafter and by the holder on one month's notice with a deduction of an amount equal to three months' interest. Among other things the trust indenture securing these certificates requires that the company maintain with the trustee mortgages in an amount at least 20% in excess of the certificates outstanding. Under the terms of the trust indenture dated September 1, 1964, referred to in note 5 below, no further Series 1 Certificates may be issued.
5. Secured Certificates have been issued under trust indentures dated September 1, 1964 and January 15, 1966 as follows:
 - (a) 6 3/4 % Secured Certificates, Series 2 — \$500,000 principal amount issued on September 23, 1964. These certificates are accompanied by warrants to purchase 15,000 Class A shares at \$8 per share up to October 31, 1969 and at \$10 per share thereafter up to October 31, 1974.
 - (b) Secured Certificates, Series 3 — may be issued in unlimited principal amounts at varying interest rates and maturity dates to secure bank loans. The principal amount outstanding at December 31, 1966 was \$745,000.
 - (c) 7% Secured Certificates, Series 5 — \$500,000 (U.S.) principal amount issued on February 1, 1966. These certificates are accompanied by warrants to purchase 20,000 Class A shares at \$8 per share up to February 1, 1970 and at \$10 per share thereafter up to February 1, 1976. The company is required to make annual redemptions of \$38,333 (U.S.) commencing February 1, 1969 through to February 1, 1980.

The trust indentures require, among other things, that the company will maintain on deposit with the trustee acceptable collateral (as defined) of a total value of at least 125% of the aggregate principal amount of all outstanding Secured Certificates issued thereunder. The indentures also contain restrictions as to the total amount of secured and subordinated debt that the company may issue from time to time.

6. The 6 3/4 % Subordinated Debentures, Series A are convertible into Class A shares at the rate of 1 Class A share for every \$8 in principal amount of debenture up to December 1, 1969, and 1 Class A share for every \$10 in principal amount thereafter up to November 27, 1974.
7. (a) During 1966 the company issued Series B warrants for \$250 in cash for the purchase of 5,000 Class A shares at \$8 per share up to February 1, 1970 and at \$10 per share thereafter up to February 1, 1976.
(b) On September 9, 1964 the company granted options to employees to purchase 10,000 common shares at \$6 per share on or before September 9, 1971.
(c) At December 31, 1966 the company's authorized but unissued share capital was reserved to the following extent:

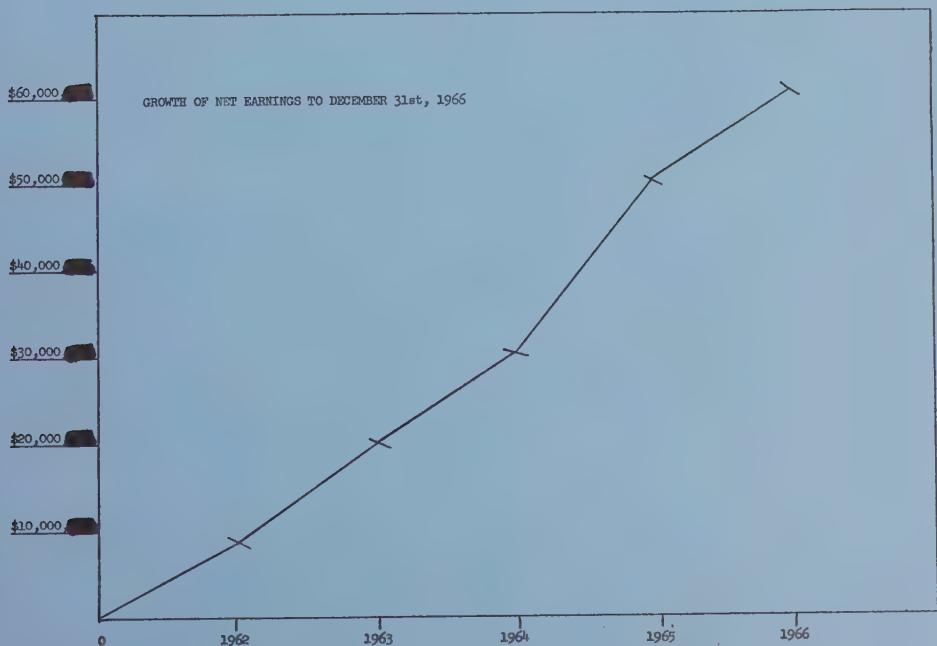
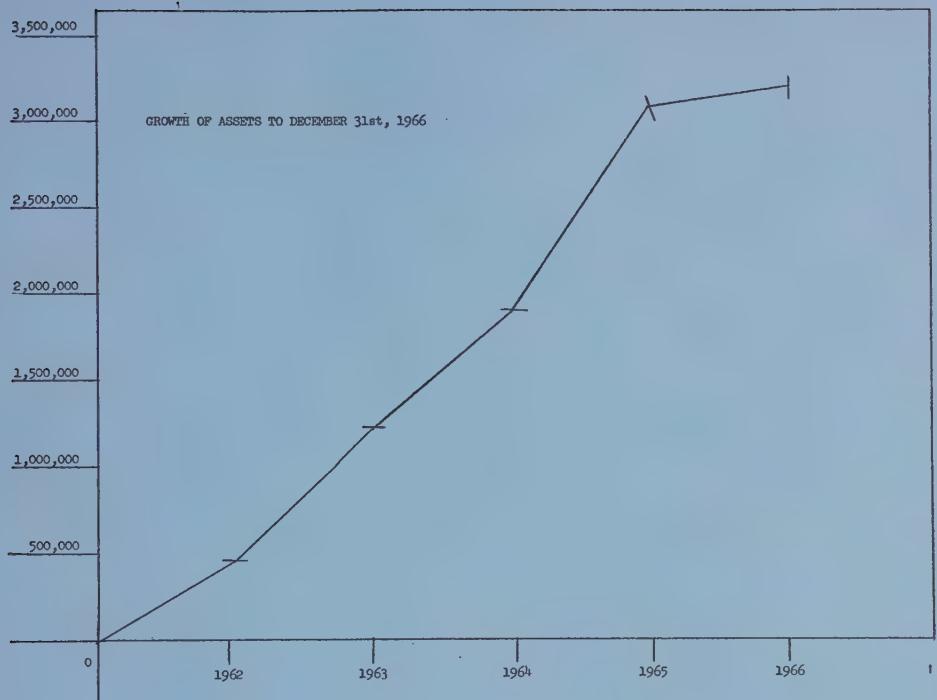
Class A Shares —

For issue under share purchase warrants accompanying the 6 3/4 % Secured Certificates, Series 2, and the 7% Secured Certificates, Series 5	35,000 shares
For issue under conversion privileges attached to the 6 3/4 % Subordinated Debentures	62,500 shares
For issue under Series B share purchase warrants	5,000 shares
	<u>102,500 shares</u>

Common shares —

For issue under options held by employees	10,000 shares
In addition, as indicated above, each Class A share is convertible at the option of the holder into one fully paid common share at any time on or after November 1, 1971.	

8. The accumulated tax reductions applicable to future years represent the reductions in income taxes payable resulting from reporting bonus income, amortization of financing expenses and allowances for doubtful mortgages for tax purposes on a basis different from that used to record such items in the accounts. The tax reduction is applicable to those future years in which the net amounts from these sources reported for tax purposes will be more than the net amounts recorded in the accounts.





C-I CREDIT CORP. LIMITED

Suite 309

133 Richmond St. West

Toronto 1, Canada

'now'

R E P O R T

C-I CREDIT CORP. LIMITED
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1966
(unaudited)

RUDSON, GOLDFARB & Co.
CHARTERED ACCOUNTANTS
TORONTO, CANADA

RUDSON, GOLDFARB & CO.

CHARTERED ACCOUNTANTS

TELEPHONE 783-4226

PHILIP RUDSON, B. COM., C.A.
STANLEY GOLDFARB, C.A.
LAWRENCE SHULMAN, B. COM., C.A.
MICHAEL ROTSTEIN, C.A.
MARTIN SCHERER, C.A.

3077 BATHURST STREET

TORONTO 19
CANADA

ACCOUNTANTS' COMMENTS

Mr. David Ades
President
C-I Credit Corp. Limited

Dear Sir:

We have prepared from the books and records of the company,
the accompanying consolidated balance sheet as at December 31st, 1966,
and statements of consolidated earnings and retained earnings for the
year ended on that date.

Please note that these statements are not subject to a report
by the company's auditor.

Toronto, Canada
February 21st, 1967

RUDSON, GOLDFARB & CO.
CHARTERED ACCOUNTANTS

C-I CREDIT CORP. LIMITED

(Incorporated under the laws of the Province of Ontario)

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1966

(with comparative figures as at December 31, 1965)

A S S E T S

	<u>1966</u>	<u>1965</u>
Current assets		
Bank balance	\$ 155,966	\$ 89,263
Mortgages receivable (Note 1)	2,912,865	2,925,469
Mortgages and properties held for sale (Note 1)	61,881	
Accrued mortgage interest receivable	20,991	18,871
Other assets	<u>28,974</u>	<u>36,962</u>
	\$ 3,180,677	\$ 3,070,565
Investment in shares of County Savings and Loan Corporation - at cost (Note 2)	114,075	106,175
Equipment and leasehold improvements - at cost less accumulated depreciation and amortization of \$ 6,048	9,629	5,953
Unamortized financing expenses	<u>88,896</u>	<u>64,630</u>
	\$ 3,393,277	\$ 3,247,323

C-I CREDIT CORP. LIMITED

(Incorporated Under the Laws of the Province of Ontario)

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1966

(with comparative figures as at December 31, 1965)

LIABILITIES

	<u>1966</u>	<u>1965</u>
Current liabilities		
Bank loan - secured (Note 5)	\$ 680,000	\$ 1,180,000
Accounts payable and accrued charges	42,263	30,701
Current portion of loans payable	9,500	9,960
Income taxes payable	<u>10,280</u>	<u></u>
	<u>\$ 742,043</u>	<u>\$ 1,220,661</u>
Deferred income		
Unamortized discount on mortgages receivable	<u>\$ 223,230</u>	<u>\$ 188,398</u>
Accumulated tax reductions applicable to future years		
(Note 8) \$ 73,938	<u>\$ 73,938</u>	<u>\$ 42,960</u>
Long term debt:		
Secured -		
Loans payable less current portion (Note 3)	\$ 191,897	\$ 219,558
7 % Secured certificates - Series 1 (Note 4)	48,921	56,946
6 3/4% Secured certificates - Series 2		
Maturing September 23, 1974 (Note 5)	500,000	500,000
7 % Secured certificates - Series 5		
Maturing February 1, 1981 (Note 5)	537,194	
6 3/4% Subordinated convertible debentures - Series A		
Maturing December 1, 1974 (Note 6)	<u>500,000</u>	<u>500,000</u>
	<u>\$ 1,778,012</u>	<u>\$ 1,276,504</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 7)

Non cumulative (30¢), Non voting, participating
Convertible Class A shares, without par value

Authorized - 200,000 shares	\$ 90,000	\$ 90,000
Issued - 15,000 shares		

Common shares without par value

Authorized - 180,000 shares	333,600	333,600
Issued - 87,200 shares		

Retained earnings

<u>152,454</u>	<u>95,200</u>
----------------	---------------

<u>\$ 576,054</u>	<u>\$ 518,800</u>
-------------------	-------------------

C-I CREDIT CORP. LIMITED

AND ITS SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1966

1. The mortgages receivable are carried on the consolidated balance sheet at their face values less principal repayments to date and less reserves. Any purchase discounts are carried as deferred income and are amortized over the periods of the mortgages. The mortgages and properties held for sale are valued at the lower of cost or estimated realizeable value.
2. The investment in County Savings and Loan Corporation represents approximately 20% of the issued shares of that company; no regularly quoted market value was available for these shares at December 31, 1966.
3. The secured loans payable are payable concurrently with the mortgages which secure them and bear interest at rates ranging from 6 1/2% to 8%.
4. The 7% Secured Certificates, Series 1 are redeemable by the company at any time before maturity at a premium of 3% within one year of the date of issue and at reducing amounts thereafter and by the holder on one month's notice with a deduction of an amount equal to three months' interest. Among other things, the trust indenture securing these certificates requires that the company maintain with the trustee mortgages in an amount at least 20% in excess of the certificates outstanding. Under the terms of the trust indenture dated September 1, 1964, referred to in Note 5 below, no further Series 1 Certificates may be issued.

5. Secured Certificates have been issued under the Trust Indentures: dated September 1, 1964;

(a) 6 3/4% Secured Certificates, Series 2 - \$ 500,000 principal amount issued on September 23, 1964. These certificates are accompanied by warrants to purchase 15,000 Class A shares at \$ 8 per share up to October 31, 1969 and at \$ 10 per share thereafter up to October 31, 1974.

(b) Secured Certificates, Series 3 - may be issued in unlimited principal amounts at varying interest rates and maturity dates to secure bank loans. The principal amount outstanding at December 31, 1966 was \$ 745,000.

dated January 15, 1966;

7% Secured Certificates, Series 5 - \$ 500,000 (U.S.) principal amount issued on February 1, 1966. These certificates are accompanied by warrants to purchase 20,000 Class A shares at \$ 8 per share up to February 1, 1970 and at \$ 10 per share thereafter up to February 1, 1976.

The Trust Indentures require, among other things, that the company maintain on deposit with the trustee acceptable collateral (as defined) of a total value of at least 125% of the aggregate principal amount of all outstanding Secured Certificates issued thereunder. The indentures also contain restrictions as to the total amount of secured and subordinated debt that the company may issue from time to time.

6. The 6 3/4% Subordinated Debentures, Series A are convertible into Class A shares at the rate of 1 Class A share for every \$ 8 in principal amount of debenture up to December 1, 1969, and 1 Class A share for every \$ 10 in principal amount thereafter up to November 27, 1974.

. (a) Each Class A share is convertible at the option of the holder into one fully paid common share at any time on or after November 1, 1971.

(b) The company has granted options to employees to purchase an aggregate of 10,000 common shares at \$ 6 per share on or before September 9, 1971.

(c) At December 31, 1966, the company's authorized but unissued share capital was reserved to the following extent:

Class A shares -

For issue under share purchase warrants accompanying the 6 3/4% Secured Certificates, Series 2, and the 7% Secured Certificates, Series 5	35,000 shares
For issue under conversion privileges attached to the 6 3/4% Subordinated Debentures	62,500 shares
For issue under Share Purchase Warrants	<u>5,000</u> shares
	<u><u>102,500</u></u> shares

Common shares -

For issue under options held by employees	<u><u>10,000</u></u> shares
---	-----------------------------

In addition, as indicated above, each Class A share is convertible at the option of the holder into one fully paid common share at any time on or after November 1, 1971.

8. The accumulated tax reduction applicable to future years represents the reductions in income taxes payable resulting from reporting bonus income and amortization of discount and financing expenses for tax purposes on a basis different from that used to record such income and amortization in the accounts. The tax reduction is applicable to those future periods in which the net amounts from these sources reported for tax purposes will be more than the net amounts recorded in the accounts.

C-I CREDIT CORP. LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED EARNINGS AND CONSOLIDATED RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1966

(with comparative figures for the year ended December 31, 1965)

	<u>1966</u>	<u>1965</u>
CONSOLIDATED EARNINGS		
Income from mortgages	<u>\$ 354,275</u>	<u>\$ 276,043</u>
Cost of borrowing money:		
Bank and other short term	\$ 44,470	\$ 43,513
Long term	<u>121,958</u>	<u>84,835</u>
	<u>\$ 166,428</u>	<u>\$ 128,348</u>
Administrative and general expenses (includes directors fees of \$ 750)	67,178	53,280
Amortization of financing expenses	10,392	7,787
Depreciation	<u>2,627</u>	<u>1,767</u>
	<u>\$ 246,625</u>	<u>\$ 191,182</u>
Earnings before income taxes	\$ 107,650	\$ 84,861
Provision for income taxes	<u>46,146</u>	<u>34,284</u>
Net earnings for the year	<u><u>\$ 61,504</u></u>	<u><u>\$ 50,577</u></u>

CONSOLIDATED RETAINED EARNINGS

Balance, beginning of the year	\$ 95,200	\$ 49,123
Net earnings for the year	61,504	50,577
Proceeds on sale of series B warrants	<u>250</u>	<u> </u>
	<u>\$ 156,954</u>	<u>\$ 99,700</u>
Dividends paid (including \$ 1,125 paid January 1, following year)	<u>4,500</u>	<u>4,500</u>
	<u><u>\$ 152,454</u></u>	<u><u>\$ 95,200</u></u>



